

U.S. Customs and Border Protection Office of Strategic Trade Regulatory Audit Division

Guidance for the Internal Control Interviewing Process

Introduction

In March 2003, the U.S. Customs Service became part of the U.S. Customs and Border Protection, which will continue to be referenced as Customs in this document.

The following questions are designed to illustrate the type of questions that can be used to obtain information needed to evaluate the adequacy of internal controls. They are intended to illustrate the type of questions that may be used to evaluate each internal control component and may be used as deemed necessary. They are not intended to be all-inclusive or exhaustive.

Control Environment

- Do individuals receive training, and is it updated periodically through distribution of latest information relevant to their responsibilities, classroom training, etc.?
- Do individuals have specific knowledge and tools needed to perform their duties—relevant rulings on value to the legal department, etc.?
- Is there evidence that the company's Customs department and its operations are supported by upper management and management throughout the organization?
- Can the individual interviewed make recommendations for improvement to the processes related to Customs?
- Can company Customs representatives make recommendations pertaining to Customs operations in other offices, and are they seriously considered and implemented when appropriate?

Risk Assessment

- Are the responsible individuals aware of the specific risks to Customs that they must address in their work—the risk to Customs if the engineering department does not report information on the use of foreign companies for research and development?
- Are individuals periodically asked to make risk assessments of possible negative impact to Customs from their operations and asked to identify any improvements that are needed to processes or internal controls, e.g., training, better manuals, improved communication?
- Are company Customs representatives included in planning processes and operational changes—specifically, when foreign purchases and imports are involved?

Control Activities

- Are individuals aware of their responsibilities to record and report significant events and transactions to Customs—does the department authorizing foreign payments understand that it must report payments related to imports to the Customs department even if the

- payments are not specific invoices for the imports?
- Do individuals with responsibility for Customs-related activities document their activities and transactions and retain the documentation?
- Do the individuals understand the importance and significance of internal control procedures—does the purchasing department know why it must report all foreign payments to the Customs department?
- Do responsible individuals maintain analytical information to support decisions regarding reporting to Customs—does legal retain information to support decisions related to reporting of commissions, royalty agreements, etc.?
- Is the documentation readily available, and does it include adequate information to track transactions to ensure accurate reporting to Customs?

Information and Communication

- Are responsible individuals aware of the communication requirements that are necessary to ensure that Customs receives appropriate information—is the representative in the legal department aware of reporting requirements pertaining to any contracts involving international purchasing, provisions for assists to foreign entities, etc.?
- Do the company Customs representatives have open, effective communication channels to other offices in the company?
- Does the Customs department have open and effective external communication with foreign suppliers, agents, brokers, and Customs?
- Are external parties clearly informed of the company's ethical standards, and do they understand that improper and illegal Customs activities will not be tolerated?
- Does management use effective communication methods, which may include policy and procedures manuals, management directives, memoranda, bulletin board notices, Internet and intranet Web pages, etc.?
- Does upper management support clear communication regarding Customs operations?

Monitoring

- Do supervisors review the functioning of control activities—is someone in purchasing assigned to review the purchasing log, purchasing account, or appropriate purchasing records to ensure that appropriate purchasing information is reported to the Customs department?
- Are review and monitoring processes of Customs-related activities and internal controls in operation?
- Are the results or review and monitoring processes used to improve operations and correct errors and deficiencies in controls?
- Does management have a process for ensuring timely and accurate responses to inquiries from Customs?
- Does management have a process for making system or internal control changes when necessary as a result of inquiries from Customs, etc.?
- Does management have a system for ensuring that advice and recommendations of import specialists, account managers, and other Customs officers are fully considered and that actions are implemented to correct any problems or internal control procedures they identify?
- What methods are used by the company to evaluate its internal Customs control processes?

- Does the company's internal audit function monitor Customs activities?